

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

| | | | |
|---|--------------------------------|--|-------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Grand Haven Charter Township | County Ottawa |
| Audit Date 12/31/04 | Opinion Date 4/22/05 | Date Accountant Report Submitted to State: 6/21/05 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

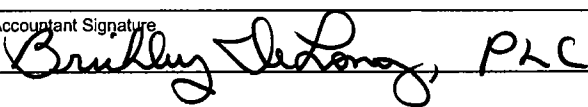
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASLGU). | | | ✓ |

| | | | |
|---|--|-------------------------|--------------------|
| Certified Public Accountant (Firm Name) Brickley DeLong PLC | | | |
| Street Address 500 Terrace Plaza | | City Muskegon | State MI |
| | | ZIP 49443 | |
| Accountant Signature  | | Date 6/21/05 | |

Grand Haven Charter Township
Ottawa County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended December 31, 2004

Grand Haven Charter Township

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**Grand Haven Charter Township
Management Discussion and Analysis
December 31, 2004**

As management of Grand Haven Charter Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of the Township for the fiscal year ended December 31, 2004. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter. To those familiar with this prior year financial statements or just new to this document, it is important to know that the Township is presenting this analysis along with these statements in a new format prescribed by the provisions of the Governmental Accounting Standards Board Statement 34 (GASB 34).

FINANCIAL HIGHLIGHTS

Assets of the Township exceeded liabilities of \$15,043,839 at the close of the fiscal year by \$14,211,960 (net assets). Of this amount, \$5,059,020 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.

Governmental activities had net assets totaling \$4,498,101 while business type activities ended the year with \$9,713,859 in total net assets.

No governmental or business type activities had deficit balances at year end.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The basic financial statements are comprised of three components: 1) governmental-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The governmental-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are designed to recover all or a significant part of their costs through user fees and charges for services (business-type activities). The governmental activities of the Township include general government, public safety, public works and cultural and recreational activities. The business-type activities of the Township include water distribution and sewer services.

The government-wide financial statements include not only Grand Haven Charter Township (the primary government) but also the legally separate Downtown Development Authority. The board of this organization is appointed by the Township and the Township is financially accountable for it. The financial information of this component unit is reported in a separate column from the financial information of the primary government.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories—governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Grand Haven Charter Township maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Fire Fund, which are considered major funds. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

Proprietary Funds. The Township has enterprise proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its water distribution and sewer operations.

Enterprise funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds financial statements provided separate information for the Water and Sewer funds, both of which are major funds.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and Fire Fund.

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for the Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of December 31, 2004, the Township's net assets from governmental activities totaled \$4,498,101 (32%) and \$9,713,859 (68%) from business-type activities, creating a total government-wide net assets total of \$14,211,960. Since this is the first year the Township has prepared financial statements following GASB 34, comparisons to fiscal year 2003 are not available. However, these comparison schedules will be provided in future years.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a fund balance of \$1,946,576. This represents the amount of discretionary cash or investments that can be used for general governmental operations.

The business-type activities show a total of \$9,713,859 in net assets and \$3,112,444 in unrestricted net assets. The Sewer Fund and Water Fund unrestricted net assets are \$1,773,420 and \$1,339,024, respectively.

Grand Haven Charter Township Net Assets

| | Governmental Activities 2004 | Business-type Activities 2004 | Total |
|--|------------------------------------|-------------------------------------|---------------|
| <u>Assets</u> | | | |
| Current assets and other assets | \$ 4,904,227 | \$ 2,780,815 | \$ 7,685,042 |
| Capital assets | 6,441,952 | 15,128,805 | 21,570,757 |
| Total assets | 11,346,179 | 17,909,620 | 29,255,799 |
| <u>Liabilities</u> | | | |
| Current liabilities | 2,797,842 | 879,968 | 3,677,810 |
| Noncurrent liabilities | 4,050,236 | 7,315,793 | 11,366,029 |
| Total liabilities | 6,848,078 | 8,195,761 | 15,043,839 |
| <u>Net assets</u> | | | |
| Invested in capital assets, net of related debt | 2,013,868 | 5,460,858 | 7,474,726 |
| Restricted | 537,657 | 1,140,557 | 1,678,214 |
| Unrestricted | 1,946,576 | 3,112,444 | 5,059,020 |
| Total net assets | \$ 4,498,101 | \$ 9,713,859 | \$ 14,211,960 |

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

Governmental activities increased by \$18,541 (less than 1%) during the 2004 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

At the end of the fiscal year, the net assets for business-type activities decreased \$272,042 or 3%. Two funds comprise the business-type activities. The Water Fund experienced a decrease in net assets for the year totaling \$322,735. This was offset by a net increase in the Sewer Fund of \$50,693.

Grand Haven Charter Township Change in Net Assets

| | Governmental Activities 2004 | Business-type Activities 2004 | Total |
|---|------------------------------------|-------------------------------------|-----------------------------|
| Revenues: | | | |
| Program revenues | | | |
| Charges for services | \$ 636,288 | \$ 2,181,355 | \$ 2,817,643 |
| Operating grants and contributions | 17,793 | - | 17,793 |
| Capital grants and contributions | 48,618 | - | 48,618 |
| General revenues | | | |
| Property taxes | 1,721,810 | 196,901 | 1,918,711 |
| Grants and contributions not restricted | 927,754 | - | 927,754 |
| Unrestricted investment earnings | 64,279 | 88,671 | 152,950 |
| Miscellaneous | 144,286 | - | 144,286 |
| Gain (loss) on sale of capital assets | 12,563 | - | 12,563 |
| Total revenues | <u>3,573,391</u> | <u>2,466,927</u> | <u>6,040,318</u> |
| Expenses: | | | |
| General government | 1,175,535 | - | 1,175,535 |
| Public safety | 998,634 | - | 998,634 |
| Public works | 354,608 | - | 354,608 |
| Community and economic development | 390,315 | - | 390,315 |
| Culture and recreation | 507,212 | - | 507,212 |
| Interest on long-term debt | 219,402 | - | 219,402 |
| Sewer Fund | - | 434,805 | 434,805 |
| Water Fund | - | 2,213,308 | 2,213,308 |
| Total expenses | <u>3,645,706</u> | <u>2,648,113</u> | <u>6,293,819</u> |
| Change in net assets before transfers | (72,315) | (181,186) | (253,501) |
| Transfers | 90,856 | (90,856) | - |
| Change in net assets | 18,541 | (272,042) | (253,501) |
| Net assets – January 1, 2004 | 4,479,560 | 9,985,901 | 14,465,461 |
| Net Assets – December 31, 2004 | <u><u>\$ 4,498,101</u></u> | <u><u>\$ 9,713,859</u></u> | <u><u>\$ 14,211,960</u></u> |

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the 2004 fiscal year, the governmental funds reported a combined fund balance of \$2,584,221. This number represents the fund balance of \$1,988,586 in the General Fund, \$294,042 in the Fire Fund and \$301,593 in other governmental funds. It is necessary to further distinguish between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of \$43,264 and pay debt service of \$301,215.

The General Fund is the chief operating fund of the Township. At the end of 2004, the unreserved General Fund fund balance was \$1,963,619 and the total General Fund fund balance was \$1,988,586. Of the unreserved fund balance, the Township Board has designated \$700,000 for future infrastructure improvements. As a measure of the General Fund's liquidity, it may be useful to compare both the unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 83% of the General Fund expenditures.

Proprietary Funds. The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Sewer Fund increased by \$50,693, while the Water Fund decreased by \$322,735. The result was an overall net decrease in the proprietary funds of \$272,042.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those is listed below:

The budget for state shared revenue was reduced to \$924,450 from \$1,000,000 due to cutbacks at the state level.

The special road assessment collections budget was increased \$25,410 to \$58,300 to reflect collections on new road assessments as well as pre-payment of outstanding balances.

Charges for services budget increased \$12,260 to \$83,660 to reflect growth in our residential base requesting additional services.

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

Budgeted General Fund revenues ended the year \$7,696 (0.3%) over budget. Most of the difference came from investment earnings which were \$7,438 over budget as a result of slightly higher than expected interest earnings.

Budgeted General Fund expenditures ended the year \$3,159 (.13%) below budget.

Capital Assets Administration

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2004 totaled \$18,630,213 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, furniture, machinery, equipment, utility systems and vehicles.

Major capital asset events during the current fiscal year included the following:

Purchase of playground equipment - \$44,772, expansion of pathway system - \$29,681, purchase of a tree chipper - \$10,000, and the purchase of a Dodge Caravan - \$21,203. Purchase of a slide unit for the Fire Department brush truck - \$9,600 and Utility system additions of \$34,002.

**Grand Haven Charter Township Capital Assets
(Net of Accumulated Depreciation)**

| | Governmental Activities 2004 | Business-type Activities 2004 | Total |
|------------------------------------|------------------------------------|-------------------------------------|----------------------|
| Land | \$ 659,600 | \$ 47,399 | \$ 706,999 |
| Land improvements | 1,358,872 | - | 1,358,872 |
| Building and improvements | 3,553,680 | - | 3,553,680 |
| Utility systems | - | 12,132,856 | 12,132,856 |
| Furniture, machinery and equipment | 190,939 | 45,090 | 236,029 |
| Vehicles | 335,777 | - | 335,777 |
| Shared improvements | 306,000 | - | 306,000 |
| Total | <u>\$ 6,404,868</u> | <u>\$ 12,225,345</u> | <u>\$ 18,630,213</u> |

Additional information on the Township's capital assets can be found in Note D of the "Notes to the Financial Statements" of this report.

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

Long-Term Debt

At the end of the fiscal year, the Township had total outstanding debt of \$12,304,265 consisting of general obligations bonds, revenue bonds and accumulated compensated absences. The general obligation debt of \$4,391,000 in governmental funds is backed by the full-faith and credit of the Township. Approximately \$7,833,793 or (64%) of the Township's outstanding debt represented in table below is recorded as revenue bonds. The payment of this debt service is anticipated through the revenues generated from the water and sewer services in the enterprise funds.

Grand Haven Charter Township Outstanding Debt

| | Governmental Activities 2004 | Business-type Activities 2004 | Total |
|----------------------------------|------------------------------------|-------------------------------------|----------------------|
| General obligation bonds | \$ 4,391,000 | \$ - | \$ 4,391,000 |
| Revenue bonds | - | 7,833,793 | 7,833,793 |
| Accumulated compensated absences | 79,472 | - | 79,472 |
| Total | \$ <u>4,470,472</u> | \$ <u>7,833,793</u> | \$ <u>12,304,265</u> |

The Township's total debt decreased by \$834,535 during the fiscal year. This reduction was due to normal debt payoffs as provided for in the fiscal year 2004 budget, offset by increases in compensated absences.

Additional information on the Township's long-term debt can be found in Note I of the notes to the financial statements, beginning on page 26.

General Economic Overview

The Township's General Fund has two major revenue sources - state revenue sharing and property tax revenue. Those two sources comprised over 65% of the General Fund revenue sources. In fiscal 2005, state revenue sharing is expected to continue to decline. Property tax revenues are expected to increase by 5%.

Township board and staff remain optimistic that the Township's economic stability will be further enhanced by several projects in various stages of development among them are the construction of Walmart (commercial), completion of Hideaway Apartments (residential) and of Timberview Apartments (residential) and numerous residential subdivisions.

The Township's business-type activities during the budget process recognized the need to further stabilize the resources in these funds. As a result, for the fiscal year 2005, the Township board approved a rate increase in the Water Fund of 2.35%.

Grand Haven Charter Township
MANAGEMENT'S DISCUSSION AND ANALYSIS—CONTINUED
December 31, 2004

Requests for Information

This financial report is designed to provide a general overview of Grand Haven Charter Township's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Grand Haven Charter Township, 13300 168th Avenue, Grand Haven, Michigan, 49417, (616) 842-5988.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

April 22, 2005

Township Board
Grand Haven Charter Township
Grand Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, Michigan as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Grand Haven Charter Township, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Grand Haven Charter Township, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as of January 1, 2004.

The management's discussion and analysis and budgetary comparison information on pages i through ix and 32 through 36 are not a required part of the basic financial statement but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

BRICKLEY DELONG

Township Board
April 22, 2005
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Grand Haven Charter Township, Michigan's basic financial statements. The combining nonmajor governmental funds financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor funds financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brickley DeLong, PLC

Grand Haven Charter Township
STATEMENT OF NET ASSETS
December 31, 2004

ASSETS

| | Governmental activities | Business-type activities | Total | Component Unit Downtown Development Authority |
|-----------------------------------|----------------------------|-----------------------------|--------------|--|
| CURRENT ASSETS | | | | |
| Cash and investments | \$ 3,352,218 | \$ 2,197,058 | \$ 5,549,276 | \$ 582,276 |
| Receivables | 1,339,674 | 578,128 | 1,917,802 | 292,843 |
| Due from primary government | - | - | - | 820 |
| Internal balances | 3,639 | (3,639) | - | - |
| Due from other governmental units | 165,432 | - | 165,432 | - |
| Prepaid items | 43,264 | 9,268 | 52,532 | - |
| Total current assets | 4,904,227 | 2,780,815 | 7,685,042 | 875,939 |
| NONCURRENT ASSETS | | | | |
| Restricted assets | - | 1,140,557 | 1,140,557 | - |
| Capital assets, net | | | | |
| Nondepreciable | 659,600 | 47,399 | 706,999 | 60,708 |
| Depreciable | 5,745,268 | 12,177,946 | 17,923,214 | - |
| Access rights, net | - | 1,069,306 | 1,069,306 | - |
| Bond issue costs, net | - | 64,282 | 64,282 | - |
| Special assessments receivable | 37,084 | 535,215 | 572,299 | - |
| Contract receivable | - | 94,100 | 94,100 | - |
| Total noncurrent assets | 6,441,952 | 15,128,805 | 21,570,757 | 60,708 |
| Total assets | 11,346,179 | 17,909,620 | 29,255,799 | 936,647 |

LIABILITIES AND NET ASSETS

| | | | | |
|---|--------------|--------------|---------------|------------|
| CURRENT LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 135,928 | 44,529 | 180,457 | 842 |
| Due to component unit | 820 | - | 820 | - |
| Due to other governmental units | 17,737 | 83,171 | 100,908 | - |
| Other liabilities | 23,106 | - | 23,106 | - |
| Deferred revenue | 2,142,415 | 234,268 | 2,376,683 | 311,433 |
| Bonds, capital leases and contracts, due within one year | 380,500 | 518,000 | 898,500 | - |
| Accrued interest, due within one year | 57,600 | - | 57,600 | - |
| Compensated absences, due within one year | 39,736 | - | 39,736 | - |
| Total current liabilities | 2,797,842 | 879,968 | 3,677,810 | 312,275 |
| NONCURRENT LIABILITIES | | | | |
| Bonds, capital leases and contracts, less amounts due within one year | 4,010,500 | 7,315,793 | 11,326,293 | - |
| Compensated absences, less amounts due within one year | 39,736 | - | 39,736 | - |
| Total noncurrent liabilities | 4,050,236 | 7,315,793 | 11,366,029 | - |
| Total liabilities | 6,848,078 | 8,195,761 | 15,043,839 | 312,275 |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 2,013,868 | 5,460,858 | 7,474,726 | 60,708 |
| Restricted for: | | | | |
| Capital projects | - | 873,169 | 873,169 | - |
| Debt service | 243,615 | 267,388 | 511,003 | - |
| Fire department operations | 294,042 | - | 294,042 | - |
| Unrestricted | 1,946,576 | 3,112,444 | 5,059,020 | 563,664 |
| Total net assets | \$ 4,498,101 | \$ 9,713,859 | \$ 14,211,960 | \$ 624,372 |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF ACTIVITIES
For the year ended December 31, 2004

| Functions/Programs | Net (Expense) Revenue and Changes in Net Assets | | | | | | | |
|--|---|----------------------|------------------------------------|----------------------------------|-------------------------|--------------------------|---------------|--------------------------------|
| | Expenses | Program Revenue | | | Primary Government | | | Component Unit |
| | | Charges for services | Operating grants and contributions | Capital grants and contributions | Governmental activities | Business-type activities | Total | Downtown Development Authority |
| Primary government | | | | | | | | |
| Governmental activities | | | | | | | | |
| General government | \$ 1,175,535 | \$ 276,412 | \$ - | \$ - | \$ (899,123) | \$ - | \$ (899,123) | \$ - |
| Public safety | 998,634 | 15,965 | - | - | (982,669) | - | (982,669) | - |
| Public works | 354,608 | - | - | 48,618 | (305,990) | - | (305,990) | - |
| Community and economic development | 390,315 | 318,089 | - | - | (72,226) | - | (72,226) | - |
| Culture and recreation | 507,212 | 25,822 | 17,793 | - | (463,597) | - | (463,597) | - |
| Interest on long-term debt | 219,402 | - | - | - | (219,402) | - | (219,402) | - |
| Total governmental activities | 3,645,706 | 636,288 | 17,793 | 48,618 | (2,943,007) | - | (2,943,007) | - |
| Business-type activities | | | | | | | | |
| Sewer | 434,805 | 455,053 | - | - | - | 20,248 | 20,248 | - |
| Water | 2,213,308 | 1,726,302 | - | - | - | (487,006) | (487,006) | - |
| Total business-type activities | 2,648,113 | 2,181,355 | - | - | - | (466,758) | (466,758) | - |
| Total primary government | \$ 6,293,819 | \$ 2,817,643 | \$ 17,793 | \$ 48,618 | (2,943,007) | (466,758) | (3,409,765) | - |
| Component unit | | | | | | | | |
| Downtown Development Authority | | | | | | | | |
| General government | \$ 2,928 | \$ - | \$ - | \$ - | - | - | - | (2,928) |
| General revenues | | | | | | | | |
| Taxes | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 691,844 | - | 691,844 | 226,850 |
| Property taxes, levied for specific purposes | | | | | 1,029,966 | 196,901 | 1,226,867 | - |
| Grants and contributions not restricted to specific programs | | | | | 927,754 | - | 927,754 | - |
| Unrestricted investment earnings | | | | | 64,279 | 88,671 | 152,950 | 4,615 |
| Miscellaneous | | | | | 144,286 | - | 144,286 | - |
| Gain (loss) on sale of capital asset | | | | | 12,563 | - | 12,563 | - |
| Transfers | | | | | 90,856 | (90,856) | - | - |
| Total general revenues, special items, and transfers | | | | | 2,961,548 | 194,716 | 3,156,264 | 231,465 |
| Change in net assets | | | | | 18,541 | (272,042) | (253,501) | 228,537 |
| Net assets at January 1, 2004 | | | | | 4,479,560 | 9,985,901 | 14,465,461 | 395,835 |
| Net assets at December 31, 2004 | | | | | \$ 4,498,101 | \$ 9,713,859 | \$ 14,211,960 | \$ 624,372 |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
BALANCE SHEET
Governmental Funds
December 31, 2004

| | General Fund | Fire Fund | Other governmental funds | Total governmental funds |
|--|---------------------|---------------------|--------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 2,333,537 | \$ 516,650 | \$ 502,030 | \$ 3,352,217 |
| Receivables | | | | |
| Accounts | 23,983 | 2,255 | 2,280 | 28,518 |
| Taxes | 465,118 | 561,947 | 252,701 | 1,279,766 |
| Special assessments | 64,141 | - | - | 64,141 |
| Interest | 4,335 | - | - | 4,335 |
| Due from other funds | 11,927 | - | 740 | 12,667 |
| Advance to other funds | - | - | 301,000 | 301,000 |
| Due from other governmental units | 165,432 | - | - | 165,432 |
| Prepaid items | 24,967 | 18,297 | - | 43,264 |
| Total assets | <u>\$ 3,093,440</u> | <u>\$ 1,099,149</u> | <u>\$ 1,058,751</u> | <u>\$ 5,251,340</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 57,596 | \$ 6,533 | \$ 300 | \$ 64,429 |
| Accrued liabilities | 39,893 | 31,606 | - | 71,499 |
| Due to other funds | 740 | 8,288 | - | 9,028 |
| Advance from other funds | 301,000 | - | - | 301,000 |
| Due to component unit | 820 | - | - | 820 |
| Due to other governmental units | 17,737 | - | - | 17,737 |
| Other liabilities | 23,106 | - | - | 23,106 |
| Deferred revenue | 663,962 | 758,680 | 756,858 | 2,179,500 |
| Total liabilities | 1,104,854 | 805,107 | 757,158 | 2,667,119 |
| Fund balances | | | | |
| Reserved for: | | | | |
| Prepaid items | 24,967 | 18,297 | - | 43,264 |
| Debt service | - | - | 301,215 | 301,215 |
| Unreserved | | | | |
| Designated for infrastructure improvements | | | | |
| General fund | 700,000 | - | - | 700,000 |
| Undesignated | | | | |
| General fund | 1,263,619 | - | - | 1,263,619 |
| Special revenue funds | - | 275,745 | 378 | 276,123 |
| Total fund balances | 1,988,586 | 294,042 | 301,593 | 2,584,221 |
| Total liabilities and fund balances | <u>\$ 3,093,440</u> | <u>\$ 1,099,149</u> | <u>\$ 1,058,751</u> | <u>\$ 5,251,340</u> |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS**
 December 31, 2004

| | | |
|---------------------------------------|--|--------------|
| Total fund balance—governmental funds | | \$ 2,584,221 |
|---------------------------------------|--|--------------|

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

| | | |
|---|--------------------|-----------|
| Cost of capital assets | \$ 10,259,390 | |
| Accumulated depreciation and amortization | <u>(3,854,522)</u> | 6,404,868 |

Long-term liabilities in governmental activities are not due and payable in the current period
and are not reported in the governmental funds.

| | | |
|----------------------|-----------------|-------------|
| Bonds payable | (4,391,000) | |
| Compensated absences | <u>(79,472)</u> | (4,470,472) |

| | |
|--|----------|
| Accrued interest in governmental activities is not reported in the governmental funds. | (57,600) |
|--|----------|

Special assessment revenue is not recognized until it is receivable in the current period and
therefore is shown as deferred revenue in the governmental funds.

| | |
|--|----------------------------|
| | <u>37,084</u> |
| Net assets of governmental activities in the Statement of Net Assets | \$ <u><u>4,498,101</u></u> |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended December 31, 2004

| | General Fund | Fire Fund | Other governmental funds | Total governmental funds |
|--|-----------------|--------------|--------------------------------|--------------------------------|
| REVENUES | | | | |
| Property taxes | \$ 691,844 | \$ 724,787 | \$ 305,179 | \$ 1,721,810 |
| Licenses and permits | 437,387 | - | - | 437,387 |
| Intergovernmental revenues - state | 927,754 | - | - | 927,754 |
| Charges for services | 83,688 | 4,800 | - | 88,488 |
| Fines and forfeitures | 8,586 | - | - | 8,586 |
| Investment earnings | 55,353 | 4,832 | 4,094 | 64,279 |
| Other | 308,479 | 22,051 | 4,129 | 334,659 |
| Total revenues | 2,513,091 | 756,470 | 313,402 | 3,582,963 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 1,089,026 | - | 17,824 | 1,106,850 |
| Public safety | 198,304 | 699,061 | - | 897,365 |
| Public works | 269,778 | - | - | 269,778 |
| Community and economic development | 390,315 | - | - | 390,315 |
| Culture and recreation | 275,294 | - | - | 275,294 |
| Debt service | | | | |
| Principal | 25,500 | - | 340,000 | 365,500 |
| Interest and fees | 21,548 | - | 204,254 | 225,802 |
| Capital outlay | 111,901 | 10,733 | - | 122,634 |
| Total expenditures | 2,381,666 | 709,794 | 562,078 | 3,653,538 |
| Excess of revenues over (under) expenditures | 131,425 | 46,676 | (248,676) | (70,575) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | - | 227,277 | 227,277 |
| Transfers out | (116,803) | - | (19,618) | (136,421) |
| Total other financing sources (uses) | (116,803) | - | 207,659 | 90,856 |
| Net change in fund balances | 14,622 | 46,676 | (41,017) | 20,281 |
| Fund balances at January 1, 2004, restated | 1,973,964 | 247,366 | 342,610 | 2,563,940 |
| Fund balances at December 31, 2004 | \$ 1,988,586 | \$ 294,042 | \$ 301,593 | \$ 2,584,221 |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**
 For the year ended December 31, 2004

| | | |
|--|----|--------|
| Net change in fund balances—total governmental funds | \$ | 20,281 |
|--|----|--------|

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

| | | |
|---------------------------------------|----------------|-----------|
| Depreciation and amortization expense | \$ (468,400) | |
| Capital outlay | <u>122,634</u> | (345,766) |

| | | |
|---|--|---------|
| Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. | | 365,500 |
|---|--|---------|

| | | |
|--|--|-------|
| Accrued interest on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid. | | 6,400 |
|--|--|-------|

| | | |
|---|--|----------|
| Increases in the compensated absences and early retirement incentives are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds. | | (18,300) |
|---|--|----------|

| | | |
|---|--|----------------|
| Governmental funds recognize special assessments as revenue as they become current, however they are recognized in full when levied in the statement of net assets. | | <u>(9,574)</u> |
|---|--|----------------|

| | | |
|---|----|----------------------|
| Change in net assets of governmental activities | \$ | <u><u>18,541</u></u> |
|---|----|----------------------|

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2004

ASSETS

| | | Enterprise Funds | |
|---|--------------|------------------|--------------|
| | Sewer | Water | Total |
| CURRENT ASSETS | | | |
| Cash and investments | \$ 1,151,991 | \$ 1,045,067 | \$ 2,197,058 |
| Receivables | | | |
| Accounts | 52,925 | 277,746 | 330,671 |
| Taxes | - | 155,514 | 155,514 |
| Special assessments | 62,892 | 9,536 | 72,428 |
| Contracts | - | 18,099 | 18,099 |
| Interest | - | 1,416 | 1,416 |
| Prepaid items | 2,506 | 6,762 | 9,268 |
| Total current assets | 1,270,314 | 1,514,140 | 2,784,454 |
| NONCURRENT ASSETS | | | |
| Restricted assets | 262,361 | 878,196 | 1,140,557 |
| Capital assets, net | | | |
| Nondepreciable | - | 47,399 | 47,399 |
| Depreciable | 3,821,480 | 8,356,466 | 12,177,946 |
| Net capital assets | 3,821,480 | 8,403,865 | 12,225,345 |
| Access rights, net of accumulated amortization | - | 1,069,306 | 1,069,306 |
| Bond issuance costs, net of accumulated amortization | 33,952 | 30,330 | 64,282 |
| Special assessments receivable | 505,686 | 29,529 | 535,215 |
| Contract receivable | - | 94,100 | 94,100 |
| Total noncurrent assets | 4,623,479 | 10,505,326 | 15,128,805 |
| Total assets | 5,893,793 | 12,019,466 | 17,913,259 |
| LIABILITIES AND NET ASSETS | | | |
| CURRENT LIABILITIES | | | |
| Accounts payable | 19,858 | 17,835 | 37,693 |
| Accrued liabilities | 328 | 6,508 | 6,836 |
| Due to other funds | 1,840 | 1,799 | 3,639 |
| Due to other governmental units | 14,506 | 68,665 | 83,171 |
| Deferred revenue | - | 234,268 | 234,268 |
| Bonds, capital leases and contracts, due within one year | 173,000 | 345,000 | 518,000 |
| Total current liabilities | 209,532 | 674,075 | 883,607 |
| NONCURRENT LIABILITIES | | | |
| Bonds, capital leases and contracts, less amounts due within one year | 1,424,500 | 5,891,293 | 7,315,793 |
| Total liabilities | 1,634,032 | 6,565,368 | 8,199,400 |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 2,223,980 | 3,236,878 | 5,460,858 |
| Restricted for: | | | |
| Capital projects | 262,361 | 610,808 | 873,169 |
| Debt service | - | 267,388 | 267,388 |
| Unrestricted | 1,773,420 | 1,339,024 | 3,112,444 |
| Total net assets | \$ 4,259,761 | \$ 5,454,098 | \$ 9,713,859 |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
Proprietary Funds
For the year ended December 31, 2004

| | | Enterprise Funds | |
|---|---------------------|---------------------|---------------------|
| | Sewer | Water | Total |
| REVENUES | | | |
| Charges for services | \$ 249,495 | \$ 1,341,035 | \$ 1,590,530 |
| Other | <u>1,045</u> | <u>55,841</u> | <u>56,886</u> |
| Total operating revenues | 250,540 | 1,396,876 | 1,647,416 |
| OPERATING EXPENSES | | | |
| Administration | 28,225 | 145,270 | 173,495 |
| Operations | 178,076 | 1,337,446 | 1,515,522 |
| Depreciation and amortization | <u>141,793</u> | <u>402,106</u> | <u>543,899</u> |
| Total operating expenses | <u>348,094</u> | <u>1,884,822</u> | <u>2,232,916</u> |
| Operating income (loss) | (97,554) | (487,946) | (585,500) |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Investment earnings | 55,800 | 32,871 | 88,671 |
| Connection fees | 204,513 | 329,426 | 533,939 |
| Property taxes | - | 196,901 | 196,901 |
| Interest expense | <u>(86,711)</u> | <u>(328,486)</u> | <u>(415,197)</u> |
| Total nonoperating revenue (expenses) | <u>173,602</u> | <u>230,712</u> | <u>404,314</u> |
| Income (loss) before transfers | 76,048 | (257,234) | (181,186) |
| Transfers out | <u>(25,355)</u> | <u>(65,501)</u> | <u>(90,856)</u> |
| Change in net assets | 50,693 | (322,735) | (272,042) |
| Total net assets at January 1, 2004, restated | <u>4,209,068</u> | <u>5,776,833</u> | <u>9,985,901</u> |
| Total net assets at December 31, 2004 | <u>\$ 4,259,761</u> | <u>\$ 5,454,098</u> | <u>\$ 9,713,859</u> |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF CASH FLOWS
Proprietary Funds
For the year ended December 31, 2004

| | Enterprise Funds | | |
|---|------------------|--------------|--------------|
| | Sewer | Water | Total |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 253,664 | \$ 1,430,389 | \$ 1,684,053 |
| Payments to suppliers | (173,059) | (1,154,542) | (1,327,601) |
| Payments to employees | (13,002) | (218,824) | (231,826) |
| Net cash provided by (used for) operating activities | 67,603 | 57,023 | 124,626 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Operating subsidies and transfers to other funds | (25,355) | (65,501) | (90,856) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | |
| Property taxes | - | 196,901 | 196,901 |
| Purchases of capital assets | (5,443) | (34,002) | (39,445) |
| Principal and interest paid on capital debt | (256,436) | (646,096) | (902,532) |
| Other receipts (payments) | 282,234 | 340,884 | 623,118 |
| Net cash provided by (used for) capital and related financing activities | 20,355 | (142,313) | (121,958) |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Investment earnings | 55,800 | 32,871 | 88,671 |
| Net increase (decrease) in cash and investments | 118,403 | (117,920) | 483 |
| Cash and investments at January 1, 2004 | 1,295,949 | 2,041,183 | 3,337,132 |
| Cash and investments at December 31, 2004 | \$ 1,414,352 | \$ 1,923,263 | \$ 3,337,615 |
| Reconciliation of cash and investments to the balance sheet | | | |
| Cash and investments | \$ 1,151,991 | \$ 1,045,067 | \$ 2,197,058 |
| Restricted assets | 262,361 | 878,196 | 1,140,557 |
| | \$ 1,414,352 | \$ 1,923,263 | \$ 3,337,615 |
| Reconciliation of operating income (loss) to net cash provided by (used for) | | | |
| operating activities | | | |
| Operating income (loss) | \$ (97,554) | \$ (487,946) | \$ (585,500) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) | | | |
| operating activities | | | |
| Depreciation and amortization expense | 141,793 | 402,106 | 543,899 |
| Change in assets and liabilities | | | |
| Receivables, net | 3,124 | 33,513 | 36,637 |
| Internal activity | 6,665 | 59,130 | 65,795 |
| Prepaid items | 513 | (5,494) | (4,981) |
| Accounts and other payables | 12,888 | 52,811 | 65,699 |
| Accrued liabilities | 174 | 2,903 | 3,077 |
| Net cash provided by (used for) operating activities | \$ 67,603 | \$ 57,023 | \$ 124,626 |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
STATEMENT OF FIDUCIARY NET ASSETS
Current Tax Fund
Agency Fund
December 31, 2004

ASSETS

| | |
|---------------------------|-------------------|
| Cash and cash equivalents | \$ <u>953,526</u> |
|---------------------------|-------------------|

LIABILITIES

| | |
|---------------------------------|-------------------|
| Due to other governmental units | 947,157 |
| Other liabilities | <u>6,369</u> |
| Total liabilities | \$ <u>953,526</u> |

The accompanying notes are an integral part of this statement.

Grand Haven Charter Township
NOTES TO FINANCIAL STATEMENTS
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Grand Haven Charter Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Effective January 1, 2004, the Township and its component units adopted GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38. These statements primarily establish standards for external financial reporting for state and local governments. Certain significant changes in these statements include the following:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Township’s overall financial position and results of operations.
- Government-wide financial statements prepared using full accrual accounting for all of the Township’s activities.
- A change in the fund financial statements to focus on the major funds.
- Expansion of footnote disclosures.
- These and other changes are reflected in the accompanying financial statements, including notes to financial statements.

The Water Fund opening net asset balance was also restated to better match capital assets with corresponding long-term debt. The Ottawa County Water Supply bonds and related accounts from the former Water Debt Service Fund have been included in the Water Fund. The bonds were previously shown as part of the Township general long-term debt.

The beginning net assets restated for the effects of implementation of GASB Statement No. 34 and the change in Water Fund debt are as follows:

| | Township governmental activities | Downtown Development Authority | Water Fund |
|---|--|--------------------------------------|---------------------|
| Fund balances/net assets at January 1, 2004 | \$ 2,788,774 | \$ 350,532 | \$ 7,396,999 |
| Restatement | <u>(224,834)</u> | <u>-</u> | <u>(1,620,166)</u> |
| Fund balances/net assets at January 1, 2004 | 2,563,940 | 350,532 | 5,776,833 |
| Special assessments | 46,658 | - | - |
| Capital assets, net | 6,750,634 | 45,303 | - |
| Accrued liabilities | (64,000) | - | - |
| Long-term liabilities | (4,756,500) | - | - |
| Compensated absences | <u>(61,172)</u> | <u>-</u> | <u>-</u> |
| Restated net assets at January 1, 2004 | \$ <u>4,479,560</u> | \$ <u>395,835</u> | \$ <u>5,776,833</u> |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

1. Reporting Entity

Grand Haven Charter Township (Township) is a municipal corporation governed by an elected seven-member Board and is administered by a Township Superintendent. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the government.

Blended component unit

The Grand Haven Charter Township Building Authority (Authority) serves all the citizens of the Township and is governed by a Board appointed by the Township's Board. The primary purpose of the Authority is to acquire and construct recreational facilities including bike paths. The Authority issues bonds that are approved by the Township Board, and the legal liability for the Authority's debt remains with the Township. The Authority then leases the assets to the Township to finance the repayment of the bonds. The Authority is reported as a debt service fund.

Discretely presented component unit

The discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the primary government. The discretely presented component unit has a December 31 fiscal year end. The discretely presented component unit is the Downtown Development Authority (DDA).

The DDA Board is appointed by the Township Board, but the DDA operates as a separate entity. The DDA's primary purpose is to promote and facilitate economic growth in the downtown district. The board can authorize and issue debt independent from the Township. The component unit is presented as a governmental fund type.

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within 60 days of the end of the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for a special tax millage levied by the Township for the operation of the fire department.

The Township reports the following two major proprietary funds:

The Sewer Fund operates the Township's sewage pumping station, collection systems and pays for access to the region's sewage treatment plant.

The Water Fund operates the Township's water distribution system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Township's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues are charges to customers for sales and services. The enterprise funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

4. Assets, Liabilities and Net Assets or Equity

a. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers' acceptances, state-approved investment pools and certain mutual funds.

The component units' cash and investments are maintained within the Township's investment pool. All investments are stated at fair value.

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

b. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the County for collection. The County advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. Taxes levied on December 1 are recorded as receivables and deferred revenue. Taxes are recognized as revenue (and become available for appropriation) in the calendar year following the levy.

The 2003 state taxable value for real/personal property of the Township totaled approximately \$503,300,000 of which approximately \$26,000,000 was captured by the component unit. The ad valorem taxes levied consisted of .9438, 1.4723, .40, .07 and .55 mills for the Township's general operating, fire protection and debt service purposes. These amounts are recognized in the respective General Fund, Fire Fund, Water Fund, Fire and Pathway Debt Service funds, respectively.

c. Inventories and Prepaid Items

Inventories of governmental funds are recorded as expenditures when purchased rather than when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

d. Restricted Assets

Certain cash and investments of the Water and Sewer funds are held at the Ottawa County Road Commission where their use is restricted to certain construction and debt activities. In addition, monies collected from the water debt service levy that are unspent are shown as restricted because their use is restricted to debt service.

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

e. Capital Assets

Capital assets, which include property, plant and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the primary government, as well as the component units, is depreciated or amortized using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|----------------------------|--------------|
| Buildings and improvements | 40 |
| Utility systems | 40 |
| Land improvements | 15 |
| Furniture and equipment | 3-20 |
| Vehicles | 7-20 |
| Shared improvements | 20 |
| Access rights | 20 |

f. Compensated Absences

Township employees are granted vacation and sick leave in varying amounts based on length of service. Employees must use earned vacation time in the current year but can carry over a maximum of 10 days. Upon termination, employees are paid for unused vacation at their current rates. Sick leave is accumulated at the rate of one day per month of employment. Unused sick leave is accumulated up to 30 days for employees. When unused sick leave exceeds 30 days for employees, one half of the balance in excess of 30 days is paid to the employees. One half of all unused accumulated sick leave is paid to employees who retire. All vacation and sick pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

g. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

4. Assets, Liabilities and Net Assets or Equity—Continued

g. Long-Term Obligations—Continued

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

h. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

i. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to November 1, the Township Superintendent submits to the Township Board a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY—Continued

1. Budgetary Information—Continued

The appropriated budget is prepared by fund, function and department. The Township Superintendent may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2004, actual expenditures exceeded appropriations for transfer out in the General Fund by \$16,818. This overexpenditure was funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

1. Deposits

The Township's deposits are categorized to give an indication of the level of risk assumed by the entity at year end. Category 1 includes deposits insured or collateralized with securities held by the entity or its agent in the entity's name. Category 2 includes deposits collateralized with securities held by the pledging financial institutions' trust department or agent in the entity's name. Category 3 includes deposits which are uncollateralized.

As of December 31, 2004, the Township's and component unit's carrying amount of deposits was \$2,156,225, and the bank balance was \$2,291,876. Of the bank balance, \$200,000 was covered by federal depository insurance. The remaining \$2,091,876 was uninsured and uncollateralized.

2. Investments

As of December 31, 2004, the Township's and component units' investments represented holdings in certificates of deposit, U.S. Government agencies, investment pools and mutual funds. During the year ended December 31, 2004, the Township's investments were only in these types of investments.

The Township's investments are categorized below to give an indication of the level of risk assumed by the entity at year end. Category 1 includes investments that are insured or registered, or the securities held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the Township's name. The state-approved investment pools are not categorized as they are synonymous with mutual funds. As of December 31, 2004, the Township's fair value in those pools and mutual funds were \$4,863,050.

| | Category | | | Fair value amount |
|--------------------------|-------------------|-------------------|-------------|-------------------------|
| | <u>1</u> | <u>2</u> | <u>3</u> | |
| Certificates of deposit | \$ 215,036 | \$ 301,356 | \$ - | \$ 516,392 |
| U.S. Government agencies | <u>689,968</u> | <u>-</u> | <u>-</u> | <u>689,968</u> |
| | <u>\$ 905,004</u> | <u>\$ 301,356</u> | <u>\$ -</u> | <u>\$ 1,206,360</u> |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Investments—Continued

Below is a summary of the combined balance sheet deposits and investments:

| | <u>Government activities</u> | <u>Business- type activities</u> | <u>Fiduciary Fund</u> | <u>Total primary government</u> | <u>Component unit</u> |
|-----------------------------------|----------------------------------|--|---------------------------|---|---------------------------|
| Cash and investments | \$ 3,352,218 | \$ 2,197,058 | \$ 953,526 | \$ 6,502,802 | \$ 582,276 |
| Restricted assets | <u>-</u> | <u>1,140,557</u> | <u>-</u> | <u>1,140,557</u> | <u>-</u> |
| Total deposits and investments | <u>\$ 3,352,218</u> | <u>\$ 3,337,615</u> | <u>\$ 953,526</u> | <u>\$ 7,643,359</u> | <u>\$ 582,276</u> |

3. Restricted Assets

Restrictions are placed on assets by bond ordinance and Township Board action. At December 31, 2004, restricted cash and investments in the enterprise funds are restricted as follows:

Business-type activities

| | |
|--------------|---------------------|
| Sewer Fund | |
| Construction | \$ 262,361 |
| Water Fund | |
| Construction | 610,808 |
| Debt service | <u>267,388</u> |
| | <u>878,196</u> |
| | <u>\$ 1,140,557</u> |

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

| | <u>Balance January 1, 2004</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance December 31, 2004</u> |
|---|--|------------------|-------------------|--|
| Governmental activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 659,600 | \$ - | \$ - | \$ 659,600 |
| Capital assets, being depreciated: | | | | |
| Land improvements | 3,261,663 | 29,681 | - | 3,291,344 |
| Buildings and improvements | 4,259,400 | - | - | 4,259,400 |
| Furniture and equipment | 232,485 | 71,750 | - | 304,235 |
| Vehicles | 1,213,608 | 21,203 | - | 1,234,811 |
| Shared improvements | <u>510,000</u> | <u>-</u> | <u>-</u> | <u>510,000</u> |
| Total capital assets, being depreciated | 9,477,156 | 122,634 | - | 9,599,790 |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE D—CAPITAL ASSETS—Continued

| | Balance January 1, 2004 | Additions | Deductions | Balance December 31, 2004 |
|---|-------------------------------|---------------------|--------------|---------------------------------|
| Governmental activities—Continued | | | | |
| Capital assets, not being depreciated—Continued | | | | |
| Less accumulated depreciation for: | | | | |
| Land improvements | \$ 1,713,544 | \$ 218,928 | \$ - | \$ 1,932,472 |
| Buildings and improvements | 600,485 | 105,235 | - | 705,720 |
| Furniture and equipment | 81,325 | 31,971 | - | 113,296 |
| Vehicles | 812,268 | 86,766 | - | 899,034 |
| Shared improvements | <u>178,500</u> | <u>25,500</u> | - | <u>204,000</u> |
| Total accumulated depreciation | <u>3,386,122</u> | <u>468,400</u> | - | <u>3,854,522</u> |
| Total capital assets, being depreciated, net | <u>6,091,034</u> | <u>(345,766)</u> | - | <u>5,745,268</u> |
| Capital assets, net | <u>\$ 6,750,634</u> | <u>\$ (345,766)</u> | <u>\$ -</u> | <u>\$ 6,404,868</u> |
| Business-type activities: | | | | |
| Capital assets, not being depreciated: | | | | |
| Land | \$ 47,399 | \$ - | \$ - | \$ 47,399 |
| Capital assets, being depreciated: | | | | |
| Utility systems | 17,734,697 | 34,002 | - | 17,768,699 |
| Machinery and equipment | <u>186,465</u> | <u>5,443</u> | <u>1,717</u> | <u>190,191</u> |
| Total capital assets, being depreciated | <u>17,921,162</u> | <u>39,445</u> | <u>1,717</u> | <u>17,958,890</u> |
| Less accumulated depreciation: | | | | |
| Utility systems | 5,192,050 | 443,793 | - | 5,635,843 |
| Machinery and equipment | <u>124,655</u> | <u>22,163</u> | <u>1,717</u> | <u>145,101</u> |
| Total accumulated depreciation | <u>5,316,705</u> | <u>465,956</u> | <u>1,717</u> | <u>5,780,944</u> |
| Total capital assets, being depreciated, net | <u>12,604,457</u> | <u>(426,511)</u> | - | <u>12,177,946</u> |
| Capital assets, net | <u>\$12,651,856</u> | <u>\$ (426,511)</u> | <u>\$ -</u> | <u>\$12,225,345</u> |
| Government activities: | | | | |
| Depreciation | | | | |
| Depreciation expense was charged to functions as follows: | | | | |
| General government | | | | \$ 60,633 |
| Public safety | | | | 92,484 |
| Public works | | | | 84,830 |
| Culture and recreation | | | | <u>230,453</u> |
| | | | | <u>\$ 468,400</u> |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE D—CAPITAL ASSETS—Continued

| | Balance January 1, 2004 | <u>Additions</u> | <u>Deductions</u> | Balance December 31, 2004 |
|---|-------------------------------|------------------|-------------------|---------------------------------|
| Business-type activities: | | | | |
| Depreciation | | | | |
| Depreciation expense was charged to functions as follows: | | | | |
| Sewer | | | | \$ 132,692 |
| Water | | | | <u>333,264</u> |
| | | | | <u>\$ 465,956</u> |
| Component unit: | | | | |
| Capital assets, not being depreciated: | | | | |
| Downtown Development Authority | | | | |
| Construction-in-progress | \$ <u>45,303</u> | \$ <u>15,405</u> | \$ <u>-</u> | \$ <u>60,708</u> |

NOTE E—ACCESS RIGHTS

| | Balance January 1, 2004 | <u>Additions</u> | <u>Deductions</u> | Balance December 31, 2004 |
|--|-------------------------------|--------------------|-------------------|---------------------------------|
| Water Fund | | | | |
| Access rights (20 years) | \$ 1,296,128 | \$ - | \$ - | \$ 1,296,128 |
| Less accumulated amortization | <u>(162,016)</u> | <u>(64,806)</u> | <u>-</u> | <u>(226,822)</u> |
| Access rights, net of accumulated amortization | \$ <u>1,134,112</u> | \$ <u>(64,806)</u> | \$ <u>-</u> | \$ <u>1,069,306</u> |

NOTE F—BOND ISSUANCE COSTS

| | Balance January 1, 2004 | <u>Additions</u> | <u>Deductions</u> | Balance December 31, 2004 |
|----------------------------------|-------------------------------|------------------|-------------------|---------------------------------|
| Business-type activities: | | | | |
| Sewer Fund | | | | |
| Issuance costs (15 years) | \$ 21,513 | \$ - | \$ - | \$ 21,513 |
| Issuance costs (21 years) | 37,306 | - | - | 37,306 |
| Issuance costs (13 years) | 64,772 | - | - | 64,772 |
| Water Fund | | | | |
| Issuance costs (15 years) | 15,262 | - | - | 15,262 |
| Issuance costs (21 years) | <u>46,795</u> | <u>-</u> | <u>-</u> | <u>46,795</u> |
| Total bond issuance costs | 185,648 | - | - | 185,648 |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE F—BOND ISSUANCE COSTS—Continued

| | Balance January 1, <u>2004</u> | <u>Additions</u> | <u>Deductions</u> | Balance December 31, <u>2004</u> |
|--|--------------------------------------|--------------------|-------------------|--|
| Business-type activities: | | | | |
| Less amortization | | | | |
| Sewer Fund | | | | |
| Issuance costs (15 years) | \$ 17,442 | \$ 1,187 | \$ - | \$ 18,629 |
| Issuance costs (21 years) | 20,502 | 2,182 | - | 22,684 |
| Issuance costs (13 years) | 42,594 | 5,732 | - | 48,326 |
| Water Fund | | | | |
| Issuance costs (15 years) | 12,374 | 842 | - | 13,216 |
| Issuance costs (21 years) | <u>15,317</u> | <u>3,194</u> | <u>-</u> | <u>18,511</u> |
| | <u>108,229</u> | <u>13,137</u> | <u>-</u> | <u>121,366</u> |
| Total bond issuance cost, net of accumulated amortization | \$ <u>77,419</u> | \$ <u>(13,137)</u> | \$ <u>-</u> | \$ <u>64,282</u> |

Amortization

Amortization expense was charged to functions as follows:

| | |
|-------|------------------|
| Sewer | \$ 9,101 |
| Water | <u>4,036</u> |
| | \$ <u>13,137</u> |

NOTE G—DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

| | Township | | Downtown Development Authority | |
|---|---------------------|-------------------|--------------------------------------|------------------|
| | <u>Unavailable</u> | <u>Unearned</u> | <u>Unavailable</u> | <u>Unearned</u> |
| Property taxes | \$ 1,280,856 | \$ 445,870 | \$ 292,843 | \$ 18,590 |
| Prepaid services (Cemetery Fund) | - | 415,690 | - | - |
| Special assessments not yet due | <u>37,084</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total deferred/unearned revenue for governmental funds | \$ <u>1,317,940</u> | \$ <u>861,560</u> | \$ <u>292,843</u> | \$ <u>18,590</u> |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE H—INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances, caused by normal operation, is as follows:

Due to/from other funds:

| <u>Receivable fund</u> | <u>Payable fund</u> | <u>Amount</u> |
|--------------------------|---------------------|------------------|
| General Fund | Water Fund | \$ 1,799 |
| General Fund | Sewer Fund | 1,840 |
| General Fund | Fire Fund | 8,288 |
| Other governmental funds | General Fund | <u>740</u> |
| | | <u>\$ 12,667</u> |

Advances to/from other funds:

The Cemetery Fund advances to the General Fund of \$301,000 represent transfers to the Cemetery Fund from the General Fund. These advances will be funded with cash as needed by the Cemetery Fund.

Due from/to primary government and component units:

Primary government

| | | |
|---------------------------------|------|--------|
| General Fund - operational loan | \$ - | \$ 820 |
|---------------------------------|------|--------|

Component unit

| | | |
|--------------------------------|---------------|---------------|
| Downtown Development Authority | <u>820</u> | <u>-</u> |
| | <u>\$ 820</u> | <u>\$ 820</u> |

Transfers in:

Other nonmajor funds

Purpose

Transfers out:

| | | |
|-----------------------------|-------------------|--------------|
| General Fund | \$ 16,000 | Operations |
| General Fund | 100,803 | Debt service |
| Nonmajor governmental funds | 19,618 | Debt service |
| Enterprise funds | | |
| Sewer | 25,355 | Debt service |
| Water | <u>65,501</u> | Debt service |
| Total | <u>\$ 227,277</u> | |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE I—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended December 31, 2004.

| | Balance January 1, 2004, restated | Additions | Deductions | Balance December 31, 2004 | Due within one year |
|--|---|------------------|-------------------|---------------------------------|------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 4,756,500 | \$ - | \$ 365,500 | \$ 4,391,000 | \$ 380,500 |
| Compensated absences | <u>61,172</u> | <u>18,300</u> | <u>-</u> | <u>79,472</u> | <u>39,736</u> |
| Governmental activity long-term liabilities | \$ <u>4,817,672</u> | \$ <u>18,300</u> | \$ <u>365,500</u> | \$ <u>4,470,472</u> | \$ <u>420,236</u> |
| Business-type activities: | | | | | |
| Revenue bonds | \$ <u>8,321,128</u> | \$ <u>-</u> | \$ <u>487,335</u> | \$ <u>7,833,793</u> | \$ <u>518,000</u> |

Balance
December 31,
2004

Governmental activities:

General obligation bonds:

\$1,230,000 General Obligation Bonds of 1994
due in annual installments of \$90,000 to
\$110,000 through February 2009; interest at
rates varying from 4.75% to 5%

\$ 500,000

\$510,000 County Drain Assessment of 1997 due
in annual installments of \$25,500 through June
2016; plus interest at 6.5%

306,000

\$1,730,000 General Obligation Bonds of 1999 due
in annual installments of \$175,000 to \$215,000
through March 2009; interest at rates varying
from 4.55% to 4.85%

975,000

\$2,850,000 Grand Haven Charter Township Building
Bonds of 2001 due in annual installments of \$90,000
to \$240,000 through May 2021; interest at 4.75%

2,610,000

4,391,000

Compensated absences

79,472

\$ 4,470,472

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE I—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

| | Balance December 31, <u>2004</u> |
|--|--|
| Business-type activities: | |
| Revenue bonds: | |
| \$702,000 Ottawa County Wastewater Collection Bonds of 1994 due in annual installments of \$52,650 to \$64,350 through June 2009; interest at rates varying from 4.5% to 4.75% | \$ 292,500 |
| \$1,100,000 Ottawa County Wastewater Collection Bonds of 1996 due in annual installments of \$45,000 to \$95,000 through June 2016; interest at rates varying from 5.3% to 5.75% | 820,000 |
| \$875,000 Sewer Special Assessment Refunding Bonds of 1998 due in annual installments of \$75,000 to \$85,000 through June 2010; interest at rates varying from 4.4% to 4.7% | 485,000 |
| \$498,000 Ottawa County Water Supply Bonds of 1994 due in annual installments of \$37,350 to \$45,650 through June 2009; interest at rates varying from 4.5% to 4.75% | 207,500 |
| \$650,000 Ottawa County Watertank Bonds of 1993 due in annual installments of \$55,000 to \$65,000 through July 2008; interest at rates varying from 5.1% to 5.4% | 235,000 |
| \$3,110,000 Water Transmission Bonds of 1999 due in annual installments of \$95,000 to \$300,000 through July 2019; interest at rates varying from 5.15% to 5.25% | 2,800,000 |
| \$1,296,128 Ottawa County Water Supply Bonds of 2001 due in annual installments of \$31,891 to \$136,673 through May 2021; interest at rates varying from 4.625% to 5.2% | 1,268,793 |
| \$3,375,000 Ottawa County Water Supply Bonds due in annual installments of \$125,000 to \$150,000 through December 2016; interest at 5.0% | <u>1,725,000</u> |
| | <u>\$ 7,833,793</u> |

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE I—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

The general obligation bonds are backed by the full faith and credit of the Township.

The Ottawa County Water Supply Bonds of 2001 represent agreements with Ottawa County relating to the construction of water supply facilities. To construct these facilities, the County issued bonds which local municipalities are obligated to repay. The Township has recorded the liability for its portion of the County bonds which are to be repaid by the access rights fee. Access rights are also recorded and are amortized over 20 years. The contractual obligation is secured by the full faith and credit of the Township. Current debt service requirements are funded by water revenues.

The Township was in compliance in all material respects with all the revenue bond ordinances at December 31, 2004.

Annual debt service requirements to maturity for debt outstanding as of December 31, 2004 follows:

| Year ending December 31, 2004 | Governmental activities | | Business-type activities | |
|----------------------------------|----------------------------|---------------------|-----------------------------|---------------------|
| | Principal | Interest | Principal | Interest |
| 2005 | \$ 380,500 | \$ 206,384 | \$ 518,000 | \$ 387,967 |
| 2006 | 400,500 | 187,585 | 550,338 | 364,206 |
| 2007 | 425,500 | 167,418 | 586,002 | 335,164 |
| 2008 | 445,500 | 145,979 | 625,558 | 305,183 |
| 2009 | 465,500 | 123,468 | 590,114 | 275,075 |
| 2010-2014 | 822,500 | 460,032 | 2,418,907 | 997,279 |
| 2015-2019 | 986,000 | 231,904 | 2,282,916 | 349,388 |
| 2020-2021 | <u>465,000</u> | <u>22,444</u> | <u>261,958</u> | <u>13,887</u> |
| Total | <u>\$ 4,391,000</u> | <u>\$ 1,545,214</u> | <u>\$ 7,833,793</u> | <u>\$ 3,028,149</u> |

NOTE J—OTHER INFORMATION

1. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township manages its liability, property and insurance coverage as a member of the Michigan Participating Plan (MPP), a public entity risk pool providing liability and property coverage to its participating members. The Township pays an annual premium to MPP for its insurance coverage. The MPP is self-sustaining through member premiums and provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE J—OTHER INFORMATION—Continued

1. Risk Management—Continued

The Township manages its workers' compensation risk by participating in the Michigan Municipal Workers' Compensation Self-Insurance Fund (MMWCSIF), a public entity risk pool providing workers' compensation coverage to its participating members. The Township pays an annual premium to MMWCSIF for its workers' compensation coverage. The MMWCSIF is self-sustaining through member premiums and provides statutory workers' compensation coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The Township carries commercial insurance for employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

2. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal and state government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

The Township is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Township's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the Township.

3. Post-Retirement Health Care

The Township has agreed to provide post-retirement health care to certain employees after they retire.

As of year end, there were two retired employees receiving benefits. The Township finances the Plan on a pay-as-you-go basis. For the year ended December 31, 2004, the Township's post-retirement health care cost under the Plan was approximate \$10,057.

4. Joint Ventures

The Township is a member of the Grand Haven - Spring Lake Sewer Authority (Authority). The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$94,781 to the Authority for sewage treatment. The purpose of the Grand Haven - Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven and the Village of Spring Lake) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority's debt. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

Grand Haven Charter Township
NOTES TO THE FINANCIAL STATEMENTS—CONTINUED
December 31, 2004

NOTE J—OTHER INFORMATION—Continued

4. Joint Ventures—Continued

The Township is also a member of the Northwest Ottawa Water Treatment Plant. The Township appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the Township paid \$544,698 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake and the Village of Spring Lake). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement and debt service. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating government in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street, Grand Haven, MI 49417).

NOTE K—RETIREMENT PLANS

1. Pension Plan

The Township maintains a defined contribution retirement plan administered by Manulife Financial USA that covers substantially all full-time employees. Participants contribute 5 percent of their salaries to the plan and the Township contributes 10 percent of each eligible employee's salary to the plan. Employees are also able to make additional voluntary contributions. The Township's contribution for 2004 was \$86,956 and the employees' contribution was \$44,523.

2. Deferred Compensation Plan

The Township offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all full-time Township employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

The Plan has created a trust for the exclusive benefit of the Plan's participants and beneficiaries under rules provided in Internal Revenue Code Section 401(f).

NOTE L—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 37 percent of General Fund revenues.

REQUIRED SUPPLEMENTAL INFORMATION

Grand Haven Charter Township
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended December 31, 2004

| | Budgeted amounts | | Actual | Variance with final budget- positive (negative) |
|--|------------------|------------|--------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 685,700 | \$ 691,570 | \$ 691,844 | \$ 274 |
| Licenses and permits | 434,500 | 437,345 | 437,387 | 42 |
| Intergovernmental revenues - state | 1,003,100 | 927,750 | 927,754 | 4 |
| Charges for services | 71,400 | 83,660 | 83,688 | 28 |
| Fines and forfeitures | - | 8,585 | 8,586 | 1 |
| Investment earnings | 53,300 | 47,915 | 55,353 | 7,438 |
| Other | 269,800 | 308,570 | 308,479 | (91) |
| Total revenues | 2,517,800 | 2,505,395 | 2,513,091 | 7,696 |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | | | | |
| Township board | 192,545 | 214,710 | 214,458 | 252 |
| Supervisor | 17,825 | 20,030 | 19,959 | 71 |
| Elections | 12,860 | 18,560 | 18,521 | 39 |
| Finance | 194,320 | 192,142 | 191,767 | 375 |
| Assessor | 176,995 | 173,705 | 173,407 | 298 |
| Clerk | 19,080 | 22,330 | 22,243 | 87 |
| Board of appeals | 4,350 | 2,750 | 2,621 | 129 |
| Board of review | 1,620 | 995 | 883 | 112 |
| Administrative | 232,195 | 233,695 | 233,587 | 108 |
| Treasurer | 17,000 | 18,560 | 18,493 | 67 |
| Building and grounds | 131,100 | 95,995 | 95,898 | 97 |
| Cemetery | 89,045 | 97,438 | 97,189 | 249 |
| Public safety | | | | |
| Law enforcement | 194,450 | 198,340 | 198,304 | 36 |
| Public works | | | | |
| Road construction and maintenance | 92,500 | 143,170 | 143,167 | 3 |
| Street lighting | 71,760 | 70,380 | 70,380 | - |
| Waste collection | 41,500 | 35,575 | 35,567 | 8 |
| Drains | 10,527 | 20,672 | 20,664 | 8 |
| Community and economic development | | | | |
| Building and zoning | 353,120 | 357,535 | 357,038 | 497 |
| Planning commission | 29,555 | 33,285 | 33,277 | 8 |
| Culture and recreation | | | | |
| Parks and recreation | 206,263 | 220,517 | 220,082 | 435 |
| Bike paths | 104,909 | 55,395 | 55,212 | 183 |
| Debt service | | | | |
| Principal | 25,500 | 25,500 | 25,500 | - |
| Interest and fees | 21,548 | 21,548 | 21,548 | - |
| Capital outlay | 159,628 | 111,998 | 111,901 | 97 |
| Total expenditures | 2,400,195 | 2,384,825 | 2,381,666 | 3,159 |
| Excess of revenues over (under) expenditures | 117,605 | 120,570 | 131,425 | 10,855 |
| OTHER FINANCING USES | | | | |
| Transfers out | (120,445) | (99,985) | (116,803) | (16,818) |
| Net change in fund balance | \$ (2,840) | \$ 20,585 | 14,622 | \$ (5,963) |
| Fund balance at January 1, 2004 | | | 1,973,964 | |
| Fund balance at December 31, 2004 | | | \$ 1,988,586 | |

Grand Haven Charter Township
BUDGETARY COMPARISON SCHEDULE

Fire Fund
For the year ended December 31, 2004

| | Budgeted amounts | | Actual | Variance with final budget- positive (negative) |
|-----------------------------------|--------------------|------------------|-------------------|--|
| | Original | Final | | |
| REVENUES | | | | |
| Property taxes | \$ 720,000 | \$ 724,785 | \$ 724,787 | \$ 2 |
| Charges for services | 4,750 | 4,795 | 4,800 | 5 |
| Investment earnings | 4,550 | 4,830 | 4,832 | 2 |
| Other | 3,100 | 22,050 | 22,051 | 1 |
| Total revenues | 732,400 | 756,460 | 756,470 | 10 |
| EXPENDITURES | | | | |
| Current | | | | |
| Public safety | 732,875 | 699,297 | 699,061 | 236 |
| Capital outlay | 16,250 | 10,733 | 10,733 | - |
| Total expenditures | 749,125 | 710,030 | 709,794 | 236 |
| Net change in fund balance | \$ <u>(16,725)</u> | \$ <u>46,430</u> | 46,676 | \$ <u>246</u> |
| Fund balance at January 1, 2004 | | | <u>247,366</u> | |
| Fund balance at December 31, 2004 | | | <u>\$ 294,042</u> | |

OTHER SUPPLEMENTAL INFORMATION

Grand Haven Charter Township
BALANCE SHEET
Other Governmental Funds
December 31, 2004

| | | | Capital Projects Fund - | Debt Service Funds | | |
|-------------------------------------|--------------------------------------|---------------------------------------|--------------------------------------|----------------------------|-------------------------|--------------------------------------|
| | Total other governmental funds | Special Revenue Fund - Cemetery | Township Building Construction | Pathway Debt Service | Fire Debt Service | Township Building Debt Service |
| ASSETS | | | | | | |
| Cash and investments | \$ 502,030 | \$ 112,048 | \$ - | \$ 250,497 | \$ 139,304 | \$ 181 |
| Receivables | | | | | | |
| Accounts | 2,280 | 2,280 | - | - | - | - |
| Taxes | 252,701 | - | - | 174,953 | 77,748 | - |
| Due from other funds | 740 | 740 | - | - | - | - |
| Advance to other funds | 301,000 | 301,000 | - | - | - | - |
| Total assets | <u>\$ 1,058,751</u> | <u>\$ 416,068</u> | <u>\$ -</u> | <u>\$ 425,450</u> | <u>\$ 217,052</u> | <u>\$ 181</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 300 | \$ - | \$ - | \$ 150 | \$ - | \$ 150 |
| Deferred revenue | <u>756,858</u> | <u>415,690</u> | <u>-</u> | <u>236,201</u> | <u>104,967</u> | <u>-</u> |
| Total liabilities | 757,158 | 415,690 | - | 236,351 | 104,967 | 150 |
| Fund balances | | | | | | |
| Reserved for debt service | 301,215 | - | - | 189,099 | 112,085 | 31 |
| Unreserved | <u>378</u> | <u>378</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total fund balances | 301,593 | 378 | - | 189,099 | 112,085 | 31 |
| Total liabilities and fund balances | <u>\$ 1,058,751</u> | <u>\$ 416,068</u> | <u>\$ -</u> | <u>\$ 425,450</u> | <u>\$ 217,052</u> | <u>\$ 181</u> |

Grand Haven Charter Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended December 31, 2004

| | | | Capital Projects | | | |
|--|--------------|----------------|------------------|--------------------|------------|---------------|
| | Total other | Special | Fund - | Debt Service Funds | | |
| | governmental | Revenue Fund - | Township | Pathway | Fire | Township |
| | funds | Cemetery | Building | Debt | Debt | Building Debt |
| | | | Construction | Service | Service | Service |
| REVENUES | | | | | | |
| Property taxes | \$ 305,179 | \$ - | \$ - | \$ 270,741 | \$ 34,438 | \$ - |
| Investment earnings | 4,094 | 1,143 | 198 | 1,606 | 1,127 | 20 |
| Other | 4,129 | - | 4,129 | - | - | - |
| Total revenues | 313,402 | 1,143 | 4,327 | 272,347 | 35,565 | 20 |
| EXPENDITURES | | | | | | |
| Current | | | | | | |
| General government | 17,824 | 17,134 | 690 | - | - | - |
| Debt service | | | | | | |
| Principal | 340,000 | - | - | 170,000 | 85,000 | 85,000 |
| Interest and fees | 204,254 | - | - | 50,900 | 27,060 | 126,294 |
| Total expenditures | 562,078 | 17,134 | 690 | 220,900 | 112,060 | 211,294 |
| Excess of revenues over (under) expenditures | (248,676) | (15,991) | 3,637 | 51,447 | (76,495) | (211,274) |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers in | 227,277 | 16,000 | - | - | - | 211,277 |
| Transfers out | (19,618) | - | (19,618) | - | - | - |
| Total other financing sources (uses) | 207,659 | 16,000 | (19,618) | - | - | 211,277 |
| Net change in fund balances | (41,017) | 9 | (15,981) | 51,447 | (76,495) | 3 |
| Fund balances at January 1, 2004, restated | 342,610 | 369 | 15,981 | 137,652 | 188,580 | 28 |
| Fund balances at December 31, 2004 | \$ 301,593 | \$ 378 | \$ - | \$ 189,099 | \$ 112,085 | \$ 31 |

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

April 22, 2005

Township Board
Grand Haven Charter Township
Grand Haven, Michigan

In planning and performing our audit of the financial statements of Grand Haven Charter Township for the year ended December 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Grand Haven Charter Township's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements. We have attached a summary of such reportable conditions.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, none of the reportable conditions described above is believed to be a material weakness.

This report is intended solely for the information of the Township Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



REPORTABLE CONDITIONS

General

Recommendation 1: Township personnel should monitor performance of accounting software and resolve deficiencies in a timely manner.

During our detailed tests of the cash function, we noted that certain cash receipts were not recorded in accounting records. The unrecorded cash receipts resulting from the accounting software problem should have been identified and resolved timely during the bank reconciliation process.

After inquiries by our staff, client personnel reviewed the matter and noted that the accounting software was not working properly. A software update then was received from the software provider. Once the software update was installed, the cash receipts in question were posted automatically to accounting records as they apparently were in the data base but not recorded in the accounting records.

The timely review and pursuit of accounting software deficiencies would increase the integrity of accounting records and associated monthly financial statements and would reduce the opportunity such deficiencies masking other accounting problems or defalcations.

Recommendation 2: All journal entries should have adequate supporting documentation and should have documented approval by an appropriate Township official.

During our audit testing, we noted that supporting documentation and documented proper approval of journal entries did not exist for all journal entries.

The maintenance of files with supporting documentation and documented approval of all journal entries would ensure that appropriate documentation would be available for review on request.

Cash

Recommendation 3: Unreconciled differences noted during monthly bank reconciliation procedures should be pursued for resolution in a timely manner.

During our detailed testing, we noted that unreconciled differences noted by client personnel during the process of preparing bank reconciliations were not pursued and resolved in a timely manner. Bank reconciliation procedures are intended to reconcile differences in bank and organizational accounting records. Differences can represent errors in such records or the misappropriation of funds.

The timely resolution of unreconciled differences identified in the bank reconciliation procedures would increase the opportunity for the timely identification of errors in bank and organizational records or the misappropriation of funds.